

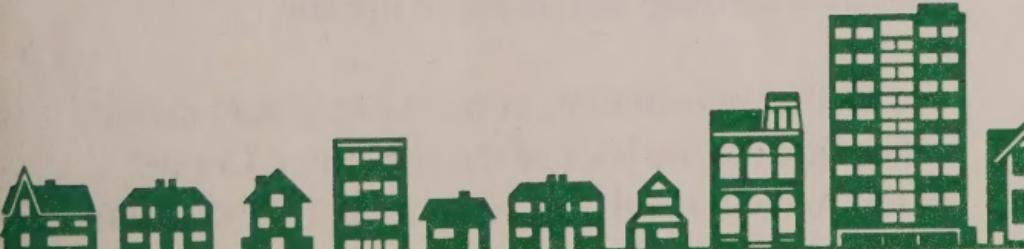
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# Rent Review in Ontario



Ontario

Ministry  
of  
Housing  
John Sweeney, Minister



# Rent Review

This pamphlet is designed to help landlords and tenants understand the *Residential Rent Regulation Act, 1986*. The Act and regulations should be consulted for an exact statement of the law.

For further information, contact a local rent review office listed at the back of the pamphlet. Copies of the Act and regulations may be purchased from any rent review office, or from the Ontario Government Publications Services.

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# INTRODUCTION

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The *Residential Rent Regulation Act, 1986*, commonly referred to as rent review, is the law which governs the rent that can be charged for privately owned residential rental units in Ontario.

Rent review is designed to be fair to both landlords and tenants. It protects tenants from unjustified rent increases, while allowing landlords to charge enough rent to pay for building, operating and maintaining residential rental dwellings.

Under rent review, maximum legal rents are determined for residential rental units. These rents are recorded and updated in the Rent Registry.

## **The Guideline**

Each year, the Ministry of Housing calculates the amount by which maximum rents can increase. This percentage increase is called the “guideline.” Increases are based on changes in the typical costs a landlord experiences to operate a residential rental complex. These “guideline” rent increases can be taken by a landlord without approval from the Ministry of Housing, provided that at least 12 months have gone by since the last rent increase.

## **Landlord Applications**

A landlord who wants to increase the maximum rent by more than the guideline must apply to a local rent review office to have the increase approved. The landlord must prove the higher increase is justified by going through the “rent review process.” That is, the landlord must file all the appropriate documents and have these documents examined by rent review staff. Tenants can examine the documents and are free to dispute the proposed increase.

## **Orders and Appeals**

After examining the documents and possibly conducting further investigations, rent review staff decide whether an increase is justified and issue what is called an “Order.”

An Order sets out the lawful increase that can be passed along to tenants. It is important to note that rent review Orders are based on specific regulations and criteria which ensure the law is applied in a consistent manner.

Any tenant or landlord who feels an Order is incorrect can appeal to the Rent Review Hearings Board for an independent review of the case.

## **Tenant Applications**

In certain circumstances, tenants can also initiate the rent review process.

For instance, tenants can apply for rent rebates when they have paid unlawful rents. Or, they can dispute proposed rent increases if maintenance standards affecting their units have deteriorated.

To assist in ensuring proper maintenance of private rental properties, the rent review legislation establishes a Residential Rental Standards Board. The Board examines serious violations of maintenance standards affecting the life, health and safety of occupants.

## **Five Features of Rent Review**

To recap, rent review has five major features:

- it governs rents charged for privately owned residential rental units throughout Ontario;
- it establishes a flexible rent review guideline, adjusted annually to reflect changes in inflation;
- it establishes a rent review process that is designed to be accessible and to ensure consistency;
- it creates an Ontario-wide Rent Registry to record and update the maximum legal rent for every residential rental unit in the province;
- it creates a Residential Rental Standards Board to help ensure the proper maintenance of all residential rental properties in Ontario.

## **RENTAL ACCOMMODATION COVERED BY THE LAW**

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Most rental dwellings are covered by rent review, including apartments in a building as well as those in a house, a duplex, triplex, etc. Flats in rooming, boarding or lodging homes, as well as sites in mobile home parks are also covered by the law.

These units are covered regardless of how often the rent is charged – by the day, the week, the month, or at any other interval or frequency.

Some types of dwellings, however, are not covered by rent review, including units in a hotel, a motel, inn, tourist home or hostel, non-profit rental housing, dwellings intended to be a vacation home for part of the year and certain accommodation for students. For a complete list of accommodation that is exempt from rent review, Section 4 of the Act should be consulted.

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## **FREQUENCY OF RENT INCREASES**

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Under rent review, rent increases are limited to once every 12 months.

This provision applies even if a tenant moves out during the middle of a year and a new tenant moves into the unit. The new tenant cannot be assessed an immediate rent increase unless 12 months have passed since the last increase.

In such a case, the next rent increase takes place on the date it was scheduled to occur for the original tenant.

## **NOTIFICATION OF RENT INCREASES**

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In order to increase the rent, regardless of the amount, a landlord must give the tenant written notice setting out the proposed increase.

This notice must be in a “prescribed form”, which means it must contain certain information for the tenant which the law requires.

A landlord must give a tenant proper written notice of a rent increase at least 90 days before the end of the tenancy period or term. The rent increase cannot be charged if proper notice is not given.

Notice of Rent Increase forms are available at any rent review office.

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## **WHAT IS MAXIMUM RENT?**

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Maximum rent is the maximum amount of rent which a landlord can lawfully charge a tenant in a residential rental dwelling had the landlord taken all rent increases permitted on or after August 1, 1985.

In some cases, a landlord may decide to charge a tenant an amount of rent which is less than the maximum allowed for the rental dwelling. That's legal. It simply means there can be a difference between the actual rent charged to a tenant and the maximum (or lawful) rent which the landlord *could* charge.

The amount by which maximum rents can be increased without approval from the Ministry of Housing is described on the next page.

## THE GUIDELINE

As mentioned earlier, the Ministry calculates a guideline each year – the percentage by which maximum rents can be increased without approval from the Ministry.

In 1986, the guideline was 4%.

In 1987, it was 5.2%.

For both 1989 and 1990, the guideline is 4.6%.

The guideline takes effect January 1 of each year and remains in effect for 12 months. To make sure landlords and tenants know in advance the guideline for the coming year, the Ministry announces the figure by August 31 of the previous year.

In calculating the guideline, a formula is used which takes into account the typical costs to operate a residential rental building, averaged over a three-year period. If these costs increase, the guideline will increase. If costs go down, so does the guideline.

Thus, a landlord can increase the maximum rent by 4.7% in 1988 without approval from the Ministry of Housing. Only a proposed increase of more than 4.7% requires approval through the rent review process.

However, it is possible for a landlord to charge a tenant less than the maximum rent for a unit.

For example, let's say the maximum rent a landlord could be charging for an apartment unit is \$500 a month and the landlord is charging \$500 a month.

At the time of the next rent increase, let's assume the rent review guideline is 5%. Thus, the maximum rent becomes \$525 a month.

But let's say the landlord does not increase the rent by 5%. Instead, the landlord leaves the rent at \$500 a month for another year.

In this case, the landlord is charging *less* than the maximum rent of \$525 a month.

At the time of the next rent increase, let's say the rent review guideline is 4%. Thus, the maximum rent becomes \$546 a month (\$525 plus 4%).

At this point, it is possible for the landlord to increase the rent from \$500 a month to the maximum rent of \$546 a month *without requiring approval* from the Ministry of Housing.

The rent review guideline of 4% applies to the maximum rent of \$525 a month, not to the lower rent of \$500 a month.

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## THE RENT REGISTRY

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To keep track of the lawful, maximum rent for each dwelling unit covered by rent review, a province-wide computerized Rent Registry was established.

As a starting point, landlords of complexes with more than six rental units gave the Ministry statements showing the rents charged for each of their units in July, 1985. If a dwelling was first rented sometime after July, 1985, the landlord stated the rent charged as of that date.

Once verified, these amounts will become the first maximum rents recorded in the Registry.

These maximum rents are updated by the Registry for subsequent years in one of two ways:

- by adding the guideline increase in effect each year or
- by adding any rent increases allowed in a rent review Order.

Because of the number of rental dwellings in Ontario (more than one million), the process of registering maximum rents was split into two stages.

Landlords of complexes with more than six rental units had to register rents by May 1, 1987. The vast majority of landlords complied, and the process of verifying these rents continues.

In the second stage, landlords of complexes with six units or fewer and landlords of boarding and lodging houses will have to register their rents. These landlords will be notified later by the Ministry of Housing of a specific deadline. They can, however, voluntarily register their rents at any time. And, after July 31, 1987, no application for rent review will proceed unless the landlord has filed a rent registration statement, regardless of the size of the complex.

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## **RENT REVIEW - THE PROCESS**

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Both landlords and tenants have an opportunity to participate fully in the rent review process.

Landlords must apply for rent review when they want to increase maximum rents by more than the guideline. They must also justify the proposed increase by proving they are experiencing certain losses or are facing increased costs beyond what the guideline covers. For example, a landlord could apply for increases above the guideline to cover an extraordinary operating cost, or a financial loss.

Tenants have access to any information their landlord files and can dispute the grounds for proposed increases by giving the local rent review office any appropriate documents.

Tenants can also initiate the rent review process themselves in certain cases.

If a landlord proposes to charge just the guideline increase or less, tenants can apply for rent review: because a change has occurred in the standard of maintenance or repair, or in the services or facilities provided which affect their rental unit; because rents are less for similar units in the same complex; or because the rental unit doesn't comply with the maintenance standards established by the Residential Rental Standards Board.

This time, the onus is on tenants to prove their case, with landlords having full access to any information tenants submit.

Tenants can also apply for rent review if they believe they are paying illegal rents. A rent is illegal if it is increased more than once in a 12-month period or by more than the guideline above maximum rent without prior approval from the Ministry of Housing.

In these cases, tenants can apply for a rent rebate to recover up to \$3,000 in excess rents paid.

The Registry will be able to provide information on what the maximum rent should be for all private rental units once the registration process is complete.

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## THE RESIDENTIAL RENTAL STANDARDS BOARD

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The Residential Rental Standards Board is another important feature of the rent review law. The Board helps ensure a proper level of maintenance for rental dwellings.

Both tenants and landlords are members of the Board, as well as municipal government representatives. Board members will examine any failure by a landlord to comply with a municipal work order dealing with a serious violation of a substantial maintenance standard.

The Board's report can lead to a rent review Order suspending proposed rent increases until the maintenance problems are fixed.

## **“KEY MONEY” NOT ALLOWED**

The *Residential Rent Regulation Act, 1986* makes it illegal to charge “key money” in Ontario. This practice involves individuals demanding an under-the-table cash payment from a prospective tenant in return for the opportunity to rent a unit in a building.

In many cases, key money is disguised as a charge for furniture which is in the unit.

Those convicted of charging key money face a fine of up to \$2,000 for individuals and \$25,000 for corporations.

## **MORE INFORMATION AVAILABLE**

Several publications are available on the different aspects of rent review and other landlord/tenant matters. All material is available to both landlords and tenants free of charge.

- A Guide to the Rent Review Process – reasons and ways to apply for rent review.
- Appealing a Rent Review Decision – information about the Rent Review Hearings Board and the way to appeal rent review decisions.
- A Guide to the Cost Revenue Statement – ‘how-to’ guide for landlords completing this statement when applying for rent increases.
- A Landlord’s Guide to Rent Registration – ‘how-to’ guide for landlords registering their rents with the Rent Registry.
- The Residential Rental Standards Board – an outline on the functions of the Board.

- A Guide to the Landlord and Tenant Act - general residential landlord/tenant matters other than rent review.
- The Rental Housing Protection Act - dealing with conversion, demolition or change of use of residential rental property.

Publications are available at any rent review office.

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## **LOCAL RENT REVIEW SERVICES OFFICES**

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The staff at 20 local rent review offices are available to provide information and assistance to landlords and tenants. Call or write the offices listed for any questions about rent review.

If you are outside the toll free dialing area for a rent review office, call the operator and ask for Zenith 96000. You will be connected to the nearest office without charge.

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<b>OFFICE</b>	<b>ADDRESS</b>
<b>EASTERN ONTARIO REGION</b>	
<b>Kingston</b> (613) 548-6770	265 Ontario Street, 1st Floor <b>Kingston</b> , Ontario K7K 2X5
<b>Oshawa</b> (416) 723-8135	40 King Street W., Suite 700 <b>Oshawa</b> , Ontario L1H 1A4
<b>Ottawa</b> (613) 230-5114	10 Rideau Street, 3rd Floor <b>Ottawa</b> , Ontario K1N 9J1
<b>Peterborough</b> (705) 743-9511	139 George Street North, 1st Floor <b>Peterborough</b> , Ontario K9J 3G6

*continued overleaf*

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<b>OFFICE</b>	<b>ADDRESS</b>
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### **CENTRAL ONTARIO REGION**

<b>Etobicoke and York</b> (416) 236-2681	5233 Dundas Street West, 4th Floor <b>Islington</b> , Ontario M9B 1A6
<b>Mississauga</b> (416) 270-3280	4 Robert Speck Pkwy., Suite 550 <b>Mississauga</b> , Ontario L4Z 1S1
<b>North York</b> (416) 250-1261	47 Sheppard Avenue East, Suite 402 <b>Willowdale</b> , Ontario M2N 5X5
<b>Scarborough</b> (416) 438-3452	1200 Markham Rd. Suite 415 <b>Scarborough</b> , Ontario M1H 3C3
<b>Toronto and East York</b> (416) 964-8281	56 Wellesley Street West, 8th Floor <b>Toronto</b> , Ontario M7A 2J9

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### **NORTHERN ONTARIO REGION**

<b>North Bay</b> (705) 476-1231	189 Wyld Street <b>North Bay</b> , Ontario P1B 1Z7
<b>Sudbury</b> (705) 675-4373	128 Larch Street, 6th Floor <b>Sudbury</b> , Ontario P3E 5J8
<b>Thunder Bay</b> (807) 475-1595	540 West Arthur Street <b>Thunder Bay</b> , Ontario P7E 5R7
<b>Timmins</b> (705) 264-9555	273 Third Avenue, 2nd Floor <b>Timmins</b> , Ontario P4N 1E2

<b>OFFICE</b>	<b>ADDRESS</b>
<b>SOUTHWEST ONTARIO REGION</b>	
<b>Barrie</b> (705) 737-2111	114 Worsley Street, 5th Floor <b>Barrie</b> , Ontario L4M 1M1
<b>Hamilton</b> (416) 528-8701	25 Main Street West, Suite 620 <b>Hamilton</b> , Ontario L8P 1H1
<b>Kitchener</b> (519) 579-5790	30 Duke Street West, Suite 401 <b>Kitchener</b> , Ontario N2H 3W5
<b>London</b> (519) 679-7270	240 Wharnecliffe Rd. N., Suite 100 <b>London</b> , Ontario N6H 4P2
<b>Owen Sound</b> (519) 376-3202	1077 Second Ave. East <b>Owen Sound</b> , Ontario N4K 2H8
<b>St. Catharines</b> (416) 684-6562	43 Church Street, Suite 505 <b>St. Catharines</b> , Ontario L2R 7E1
<b>Windsor</b> (519) 253-3532	880 Ouellette Avenue, Suite 302 <b>Windsor</b> , Ontario N9A 1C7

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